

WASHINGTON STATE
Office of Trade & Economic Development

May 31, 2001

Steve Wright
Acting Administrator
[Bonneville Power Administration](#)
Portland, OR 97208-3621

SUBJECT: Comments on Proposed 5(b) 9(c) Policy for Temporary Small Resource

Dear Mr. Wright:

On behalf of Governor Locke, I appreciate the opportunity to comment on BPA's proposed "Temporary Small Resource Policy," dated May 17, 2001. Given the difficult energy price and supply situation in the Northwest, we believe that some flexibility with regard to the more onerous interpretations of these clauses in the power Act is warranted. It makes no sense for BPA to penalize its customers for efforts to increase generation or conservation that benefit the utilities, BPA and the region.

However, while we are generally supportive of BPA's proposal, we ask BPA to consider some specific concerns as set forth below.

First, the proposed policy should not work to give preference to less environmentally unfriendly forms of generation at the expense of conservation and the use of cleaner technologies. BPA has asked all of its customers to reduce their loads on BPA by 10 percent, and proposes to amend 5(b)9(c) to remove impediments to bringing on new generation. This is reasonable given that BPA needs to reduce its loads and some of its customers need temporary generation to shield them from market purchases. However, we believe BPA should include in its proposal measures that encourage load reductions through conservation and energy efficiency as well as through temporary new generation.

Specifically, such measures might include (1) a load-buy back based on conservation savings (perhaps an expanded conservation/renewable discount); (2) an aggressive program of support for all cost-effective conservation measures that its customers undertake, and (3) a requirement that a portion of the 10 percent load reduction be met through cost-effective (equal or less than the cost of supply provided by diesel generation, estimated at 12.5 cents/kWh) conservation measures.

Second, while we applaud BPA's intent in proposing that "all diesel and natural gas fired reciprocating engine powered generators must be equipped with BACT [best available] emission control technology," we are concerned that this proposal is unworkable without the ability to enforce it. BPA should address how it intends to enforce this requirement, as it is unclear how it could be enforced in Washington, where BACT is not required by state statute or regulation.

Third, we are concerned that the proposal would exempt from 5(b)9(c) temporary generation that would be "sold on the open wholesale market" as well as that being "operated for service to regional load." Selling power on the market does little to help meet regional needs (although it can help financially stressed utilities) while creating another incentive for utilities to install generation rather than implement conservation measures. We believe it would be preferable for BPA to require that power from temporary generation that exceeds the immediate requirements of individual customer utilities be sold to BPA at some "cost-plus" arrangement so that the region benefits from BPA's ability to acquire below-market power—and thereby keep its rates to all customers lower than would otherwise be the case. In effect, these temporary resources should be seen as joint BPA-customer resources and treated accordingly.

Finally, we believe that BPA should review its transmission policies to facilitate the siting and construction of natural gas generation that can be brought on line this year. We are aware that Bonneville is not requiring diesel or other temporary generation that can connect into the local distribution utility's distribution grid to get into the transmission impact study queue, while larger natural gas fired generation that is also targeted for local utilities is being put into the queue, resulting in delays of some 18 months and effectively ending any chance of clean gas-fired generation being deployed during the present situation.

We suggest two possible solutions to this problem. First, BPA should file for an emergency amendment of BPA's transmission tariff, perhaps in the current FERC docket for removing barriers (EL01-47-000), to allow for moving projects up in the impact study queue that can demonstrate an in-service date prior to this fall or winter and then provide for an expedited impact study for the first six months of operation or through the winter. Second, BPA should expedite processing for available non-utilized emergency firm and non-firm transmission rights for projects that can demonstrate in-service dates before the winter of 2001/02.

We hope these comments are helpful to you as BPA continues to address the region's needs for affordable and environmentally sound energy. We believe that the steps discussed above will enable customers to make better environmental and efficiency choices when faced with deciding how to replace the 10 percent reduction they make in the load they place on BPA.

Please do not hesitate to contact me if you want to discuss these issues further.

Sincerely,

David Warren
Director